ANNUAL REPORT
1985-86

Alberta Petroleum Incentives Program Fund

Alberta

ENERGY

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ALBERTA PETROLEUM INCENTIVES PROGRAM (APIP)

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Alberta
ENERGY

Office of the Minister

228 Legislature Building, Edmonton, Alberta, Canada T5K 2B6 403/427-3740

March, 1987

The Honourable D. Carter
Speaker of the Legislative
Assembly of Alberta

Sir:

In accordance with section 2(6) of the Petroleum Incentives Program Act, I have the honour to submit the fifth annual report of the Alberta Petroleum Incentives Program Fund for the fiscal year ended March 31, 1986.

Respectfully submitted,

Neil Webber

Neil Webber
Minister of Energy

Alberta
ENERGY

Deputy Minister of Energy Resources

Petroleum Plaza South Tower, 9915 - 108 Street, Edmonton, Alberta, Canada T5K 2C9 403/427-7727

March, 1987

The Honourable N. Webber
Minister of Energy
407 Legislative Building
Edmonton, Alberta
T5K 2B6

Sir:

I have the honour of presenting to you the fifth annual report of the Alberta Petroleum Incentives Program Fund for the fiscal year ended March 31, 1986.

Respectfully submitted,

M.F. Kanik
Deputy Minister
Energy Resources

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General Background Information

The Alberta Petroleum Incentives Program (APIP) was created by the Petroleum Incentives Program Act passed by the Alberta Legislature in November 1981, subsequent to the Canada/Alberta Memorandum of Agreement Relating to Energy Pricing and Taxation signed in September 1981. Under the terms of the Agreement, Alberta undertook to administer and fund the portion of the federal Petroleum Incentives Program applying to oil and natural gas exploration and development activities in Alberta. The federal Petroleum Incentives Program was created in October 1980, to provide cash grants to Canadian owned and controlled companies in lieu of the earned depletion allowances provisions of the corporate income tax system.

APIP's objective is to encourage the exploration and development of Alberta's petroleum and natural gas resources. The program also supports work on tertiary oil recovery projects. Under the program, eligible applicants may obtain APIP incentive payments equal to a percentage of their incurred eligible costs and expenses, including exploration and development expenses for oil and gas wells; geological and geophysical expenses, and development drilling and asset costs related to tertiary oil recovery projects.

The APIP office is located in Calgary, where the majority of headquarter operations associated with Alberta's oil and gas industry are located.

A look back ... fiscal year 1985-86

During the fiscal year 1985-86, a major change in the termination date of the Alberta Petroleum Incentives Program was announced. The original Petroleum Incentives Program Act specified that eligible costs and expenses incurred between January 1, 1981 and December 31, 1986 would be eligible for incentives. On June 24, 1985, then Premier Peter Lougheed and then Energy Minister John Zaozirny announced that the eligibility period would be shortened by nine months to March 31, 1986, with some specified activities "grandfathered" to December 31, 1986.

Subsequent amendments to the Alberta Petroleum Incentives Program Act and Regulation reflected those changes. It was further specified that the eligible period for filing applications for APIP incentives as well as filing corrections to previously filed applications had been established as December 31, 1987.

The incentives paid during the fiscal year ending March 31, 1986 amounted to $488.5 million. A comparative analysis of that expenditure follows:

	1986	1985
Exploration	$239,860,150	$199,726,278
Development	119,685,818	104,815,626
Geophysical, Geochemical and Geological	49,339,868	68,023,748
Other	79,627,707	57,710,497
	$488,513,543	$430,276,149

Fiscal year 1985-86 saw a continuing increase in applications. In the fiscal year ending March 31, 1986, APIP received 9,127 applications, an increase of 16 per cent when compared to the total for the previous fiscal year ended March 31, 1985. As of March 31, 1986, in excess of $1.7 billion in incentives had been paid to the oil and gas industry on the 25,338 applications received since the commencement of the APIP program.

ALBERTA LEGISLATURE

OFFICE OF THE AUDITOR GENERAL

AUDITOR'S REPORT

To the Minister of Energy

I have examined the balance sheet of the Alberta Petroleum Incentives Program Fund as at March 31, 1986 and the statement of revenue and expenditure for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Fund as at March 31, 1986 and the results of its operations for the year then ended in accordance with the disclosed basis of accounting, considered appropriate in the circumstances, as described in Note 2 to the financial statements applied on a basis consistent with that of the preceding year.

Donald D. Salmon

C.A.
Auditor General

Edmonton, Alberta
August 26, 1986

Statement A

Alberta Petroleum Incentives Program Fund
Balance Sheet
As at March 31, 1986

	1986	1985
ASSETS		
Current:		
Cash	$ 2,673,623	$ 7,513,448
Incentive grant overpayments receivable, including accrued interest (less allowance for doubtful accounts of $7,655,226; 1985 $6,882,093)	26,032,829	9,875,329
Due from the General Revenue Fund	255,031,089	266,940,304
	$283,737,541	$284,329,081
LIABILITIES		
Current:		
Incentive grants and interest payable	$283,737,541	$284,329,081
	$283,737,541	$284,329,081

The accompanying notes are part of these financial statements.

Statement B

Alberta Petroleum Incentives Program Fund
Statement of Revenue and Expenditure
For the year ended March 31, 1986

	1986	1985
REVENUE		
Transfer of non-renewable resource revenue from the General Revenue Fund	$490,760,054	$437,496,632
Interest income	6,355,678	5,605,113
Fees for advance rulings	3,625	738
	$497,119,357	$443,102,483
EXPENDITURE		
Incentive grants:		
Exploration	$239,860,150	$199,726,278
Development	119,685,818	104,815,626
Geophysical	49,339,868	68,023,748
Unit agreement	11,724,325	12,731,845
Asset cost	10,747,298	7,205,049
Internal overheads and overhead allowance	57,156,084	37,773,603
	$488,513,543	$430,276,149
Administration and other expenses (Note 3)	7,669,268	8,026,523
Provision for doubtful debts	936,546	4,799,811
	$497,119,357	$443,102,483
	$ -	$ -

Alberta Petroleum Incentives Program Fund
Notes to the Financial Statements
March 31, 1986

Note 1 Authority

The Alberta Petroleum Incentives Program Fund operates under the authority of the Petroleum Incentives Program Act, Chapter P-4.1, Statutes of Alberta 1981.

Note 2 Significant Accounting Policies and Reporting Practices

General

These statements have been prepared in accordance with generally accepted accounting principles except that purchases of fixed assets are charged to administration and other expenses (Note 3).

Incentive grants

Incentive grant applications received after the year end of the Fund but prior to July 1, that relate to expenditures made by industry to March 31, are accrued.

Accrued grant applications are recorded at 87.2% (1985 - 91.4%) of the amount claimed unless the applications have been subjected to full assessment procedures. This adjustment is based on the reduction in the amount claimed that normally occurs during the assessment process.

Changes in Financial Position

A statement of changes in financial position is not provided as disclosure in these financial statements is considered to be adequate.

Note 3 Administration and Other Expenses

Administration and other expenses are charged to the Fund pursuant to section 3(8) of the Act. Costs incurred during the year ended March 31, 1986 by the General Revenue Fund in connection with the administration of the Fund are summarized below:

	1986	1985
Salaries, wages and payments to contract employees	$4,193,377	$4,212,248
Professional, technical and labour services	1,816,608	1,747,406
Data processing services	604,977	860,712
Employee benefits	456,832	420,031
Materials and supplies	181,208	229,359
Equipment purchases	179,344	307,871
Repairs and maintenance	110,387	93,079
Allowances and supplementary benefits	40,841	39,136
Travel expenses	31,749	30,559
Rentals	19,774	58,683
Freight and postage	15,157	7,181
Telephone and communications	8,776	11,821
Advertising	6,234	4,723
Hospitality	4,004	3,114
Other purchased services	-	600
	$7,669,268	$8,026,523

Note 4 Comparative Figures

The 1985 figures have been reclassified where necessary to conform to 1986 presentation.

Note 5 Approval of Financial Statements

These financial statements have been approved by management.

Appendix

Summary of Incentive Grants for Fiscal Years Ended March 31, 1985 and 1986*

	1986	1985	Totals to Date
	$	$	$
Cash Incentives Paid	504,592,914.00	361,514,041.00	1,704,207,388.54
Incentives Accrued 1984		-	201,546,398.00
Reversal of 1984 Accruals		(201,546,398.00)	(201,546,398.00)
Incentives Accrued 1985		270,308,506.00	270,308,506.00
Reversal of 1985 Accruals	(270,308,506.00)		(270,308,506.00)
Incentives Accrued 1986	254,229,135.00		254,229,135.00
	488,513,543.00	430,276,149.00	1,958,436,523.54

NOTE: Incentives accrued represent estimated liability for Incentive Grants applied for but unpaid at the end of the fiscal year.

*This Summary is provided by APIP and is not part of the Auditor General's Report.